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SUBJECT: NEW ZEALAND RE-THINKS CLIMATE CHANGE

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11. (SBU) Summary: While many Kiwis view the United States and Australia as the big bad wolves of global climate change, NZ officials are quietly turning the country's policies away from the Kyoto Agreement and towards longer-term energy and climate change strategies. The officials are motivated by the rising costs of the country's Kyoto obligations, concern about the potential negative impact of those obligations on the New Zealand economy, and the recognition that NZ's changing energy needs must be managed in a way that does not clash with its goal of reducing carbon emissions. In practice, this means GNZ wants to build on its bilateral climate change partnerships with key non-Kyoto partners, Australia and the United States. The Government's new focus away from Kyoto will likely be evident when Adrian Macey, GNZ's new Ambassador for Climate Change, participates in August 29-30 US-NZ bilateral climate change talks in Washington. End Summary.

New Zealand Climate Change Policy: A House of Straw

12. (U) In June 2005, the NZ government announced for the first time that New Zealand's green houses gases would likely exceed its targets under the Kyoto Protocol, costing GNZ an estimated NZD 307 million (USD 195 million) in carbon credit purchases (Ref A). The admission was doubly embarrassing because the Government claimed when it signed onto Kyoto that New Zealand would be a net seller of carbon credits. The Government's admissions led to months of opposition party and business criticism of the Government's commitment to Kyoto in light of the costs of compliance and failure of countries such as China and the U.S. to sign the agreement. As a result of this pressure, GNZ was forced in December 2005 to scrap its only policy instrument to implement Kyoto -- a proposed tax on carbon content of petrol and diesel fuel. Without the tax's anticipated inhibiting effect on carbon consumption, New Zealand calculated its estimated deficit position would be 64 million tons of carbon dioxide equivalent, at a cost of NZD 606 million (USD 385 million) (Ref B). Elimination of the tax proposal also left the Government few options to comply with Kyoto by discouraging consumption.

13. (U) Faced with a reduced menu of options, GNZ ordered a review of its domestic climate change policy. Last month, Minister for Climate Change David Parker released a Cabinet report based on the results of the Government's review.

Citing challenges to New Zealand's future energy needs, the report for the first time links the government's long-term climate change and energy policies, while de-emphasizing New Zealand's more immediate Kyoto Protocol obligations.

¶4. (U) Also last month, Parker said that thanks to rising oil prices, New Zealand's projected carbon deficit for the first Kyoto commitment period (2008-12) has been reduced from last year's estimates. However it is still a sizable 41.2 million tons of carbon dioxide equivalent (NZD 390 million; USD 248 million based on a carbon price of USD 6 per ton).

¶5. (SBU) As it quietly backs away from its public emphasis on Kyoto, GNZ is simultaneously developing New Zealand's Energy Strategy (NZES) and a National Energy Efficiency and Conservation Strategy (NEECS). GNZ announced that a draft of the NZES would be released in September; however, this has reportedly slipped until October (or later). GNZ still aims to complete the three strategy documents in advance of the United Nations Climate Change Conference in Nairobi in November.

Asia Pacific Partnership: "Let me in, Let me in"

¶6. (SBU) According to Australian High Commission contacts, New Zealand has repeatedly asked Australia about NZ's joining the Asia-Pacific Partnership on Clean Development and Climate. Australian officials have reportedly told GNZ that the Partnership is at an early stage and that Partners wish to consolidate before considering expansion. Canberra has also said that despite GNZ requests climate change is not going to be on the agenda at annual bilateral Australia-New Zealand consultations.

¶7. (SBU) Left outside the Asia-Pacific Partnership club, New Zealand is building on its existing, sizable climate change cooperation with Australia and the United States. In doing so, GNZ is also hoping that by increasing its bilateral work with us, it can show the Kiwi public that New Zealand is exerting a global influence on climate change even as it de-emphasizes the importance of adherence to Kyoto. Among other things, Australia's Minister for the Environment Ian Campbell recently approved grant funding of AUS\$224,000 (US\$170,000) for GOA participation in two trilateral projects (United States, Australia and New Zealand) to assist the Pacific region in adapting to the possible impact of climate change. One project is designed to enhance the quality of climate data generated in the Pacific. The second will develop a high-quality cyclone database for the South Pacific and Indian Oceans.

Foreign Minister appoints Climate Change Ambassador

¶8. (SBU) In a further sign of moving away from Kyoto-centered policies, at the end of July, Foreign Minister Winston Peters announced the appointment of diplomat Adrian Macey to the new position of Climate Change Ambassador. Macey, most recently NZ's Ambassador to France and the OECD, will be responsible for handling New Zealand's international negotiations on climate change, and for increasing cooperation with key bilateral partners and international stakeholders. Ambassador Macey will lead the New Zealand delegation to Washington August 29 to 30, as part of the fourth round of partnership talks of the U.S.-New Zealand Bilateral Climate Change Partnership, initiated in 2002. We have not been able to meet with Macey since his appointment just a few weeks ago. But we predict his approach to the meetings will be designed to help New Zealand meet its goals of enhancing its bilateral climate change relationship with the U.S. and developing ties with the Asia-Pacific Partnership.

McCormick